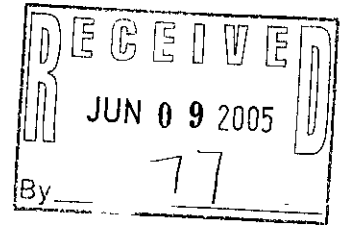


SOUTH BANKING COMPANY  
P O BOX 1988  
ALMA GEORGIA 31510  
912-632-7480



June 3, 2005

Robert E. Feldman, Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Re: Interagency Proposal on the Classification of Commercial Credit  
Exposures

Dear Mr. Feldman:

We have thoroughly reviewed the proposal and would like to offer the following comments:

Implementation will be costly, time consuming, and adds nebulous value in addition to being subject to confusion at various interpretations for both the regulators and the banks.

For the banks, an educated estimate is that the workload for all involved with the loan classification system will increase by 30-35%. With the five banks administered by this holding company (average \$60 million total assets), and considering the number of people impacted by the proposed change, one could easily estimate an increase of \$20-25,000 annually for each bank to administer this program, with an annual negative impact to the holding company of \$125,000, and possibly more if staff additions are required. Keep in mind that this change will affect Executive Management, Loan Officers, Loan Operations Personnel, and Loan Review Personnel.

We assume that implementation costs for the Regulatory Agencies would be similar, if not greater in addition to more on-site time.

This is a major change in direction. The system now in place is clearly delineated, easy to understand, and both the bankers and the regulators interpret it in much the same way. We believe a common understanding is a key component of the success of the existing process.

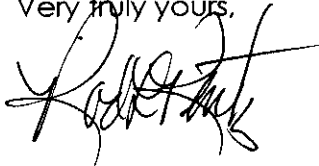
The proposed changes open the process to a much higher degree of judgment and interpretation, too much so in our opinion. The subjectivity leaves a bank open to unjustified criticism, and is not conducive to a coherent and objective evaluation.

The proposal, if implemented, should provide better guidance concerning what is expected. The examples provided, though excellent in a general commentary, are far too simplistic for real-world comparisons. A more realistic approach would be to offer a series of more complex situations run with different variations that provide a matrix for bankers and examiners to understand in the same way and thus limit disputes in interpretation.

It is easy to question judgment--rightly or wrongly. In leaving such a high level of the classification process to subjective judgment, the banks become very vulnerable to an examiner who may disagree with our interpretation.

We oppose this change, but if the proposal is finalized, it would be prudent to delay implementation to allow for more consideration of the changes and more effective training of both bankers and examiners. We suggest a parallel classification system utilizing the existing process so that banks and examiners can come to a consensus prior to actual implementation.

Very truly yours,

A handwritten signature in black ink, appearing to read "Rod L. Rentz", with a stylized, cursive script.

Rod L. Rentz  
Loan Review Officer